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A FAMILY AFFAIR

Stonehage Fleming chief

Giuseppe Ciucci has big plans

for Europe's largest family office



Stonehage Fleming chief Ciucci has global ambition

By Luke Jeffs

Giuseppe Ciucci is something of an anomaly. As Group Chief Executive of the largest European family office which lists as clients some of the region's richest and most private individuals, you might think him wary of cheap-suited members of the Fourth Estate.

The South African, however, is nothing of the sort, greeting warmly our small delegation at the reception of his discreet London office and immediately drawing our attention to the impressive Scottish paintings that adorn its walls.

As the latest manifestation of the Fleming dynasty, Stonehage Fleming is home to some of the famous Fleming art collection and Ciucci, himself an art-buff, is obviously proud of the work itself and the legacy it represents.

Ciucci was the driving force behind the 2015 merger of Stonehage, a family office with roots in South Africa, and Fleming Family & Partners, the investment arm of the Scottish financial group.

The Group Chief Executive told Global Investor: "The combination of Stonehage and Fleming brought together the fiduciary heritage of working with big, wealthy families through Stonehage and the investment management strength of Fleming.

"Historically, the Achilles Heel of most family offices is the investment management side so the inclusion of the Fleming business was crucial."

The firm boosted further its investment arm when it hired in early 2016 Graham Wainer as its London-based chief executive officer and head of investments. Wainer joined from GAM where he was group head of investments.

Stonehage Fleming also hired in July last year Simon Boadle as executive chair of its corporate finance business, another of the specialist services the firm offers its clients.



Ciucci: the driving force behind the 2015 merger of Stonehage and Fleming Family & Partners.

Ciucci said: "Everything we do is bottom-up, so staff are crucial. We were happy to hire Simon Boadle to head up the corporate finance team and Graham Wainer we have known for years. We are very careful when it comes to hiring."

Under Ciucci, the business has grown steadily and recently broke \$50bn under management for the first time yet the chief executive has big plans – he wants to build the world's first truly global, full service family office.

"If you look at the industry as a whole it is fragmented. The family office industry is all over the place in terms of size, reach and focus. You don't find many fully-fledged family offices and where you do, they are not cross-border."

He said the questions often asked about his business and other family offices are: "To what extent can you scale a family office and to what extent can you go cross-border?"

His response is unequivocal: "We are at the forefront of developing a truly global family office."

For Ciucci however the attribute that matters most is not assets under management, rather he is focused on geographic coverage.

"I think over time the Fleming name will return to Asia and we will expand our presence in the US. In Asia, I think we will partner with someone for example but, ultimately, it is not about size, it is about reach."

He continued: "Our strategy is very simple – to return to Asia by combining the Fleming name with a domestic partner – but the execution will likely be more difficult."

Ciucci said he is also looking at the world's largest investment market: "Last year, we were talking to a prospective partner in the US and we were ultimately disappointed not to consummate on that partnership."

He did not offer further detail on these talks but added: "As for the US, we could partner or acquire. Typically, partnerships borne out of necessity. In the US however, we have our own office so a transaction could be more likely."

Stonehage Fleming has over 520 staff in 11 offices across eight jurisdictions including the US, Europe and South Africa but its Eastern-most base is currently in Israel, which explains the determination to re-establish the Fleming name in Asia.

Ciucci is clear, however, about the opportunity at large. "If you look at regulation, there is so much complexity for families to operate cross-border. We operate in an environment of evolving client requirements and increasing complexity but the opportunity is great – the ultra-high net worth sector is growing at about 9% per annum."

The regulatory outlook for international firms is particularly uncertain right now. Europe introduced at the start of January its big response to the 2008 financial crisis in the shape of

the Mifid II reforms while the new US administration has talked the talk but so far failed to walk the walk over its pledge to roll-back US post-crisis reforms like the Dodd-Frank Act.

Asian remains a patchwork quilt when it comes to regulation, legal requirements, tax, accounting and reporting standards.

The ambition, then, is there but Ciucci is similarly wary of the risks.

“While we think about building a global family office, we have to remember that what we do starts and ends with our culture and values. These have to be maintained. If we were to do a M&A transaction, it could be disastrous if the partner is not carefully selected and does not share our culture and values.”

The chief exec again cited the 2015 Fleming deal (he likes talking about the Fleming connection) as an ideal combination in terms of cultural fit.

“The combination of Stonehage and Fleming was a perfect example. It was a case of a South African firm meeting a British firm but the culture and values were the same.”

He added: “If we were to go to Asia, if we can find someone who shares our values, it could be interesting.”

While Stonehage Fleming is keen to establish itself as a global, full service firm for wealthy families, its chief executive is conscious however that clients from different parts of the world tend to have their own preferences – a holistic service is different to a one-stop shop.

Ciucci said: “When we look internationally, it is a bit like evolution – different regions are at different stages.

“In Asia, a lot of services are still offered for free because the focus is on the investment part of the service. If you look at the US, most of the main markets are more or less developed.”

“Europe remains a tremendous opportunity because it is so fragmented, with many different cultures and languages. I still believe we can attract business from across Europe to the UK, we are having more and more success in countries such as Spain and Germany for example.”

Ciucci is philosophical about the im-



“ I think over time the Fleming name will return to Asia and we will expand our presence in the US. In Asia, I think we will partner with someone for example but, ultimately, it is not about size, it is about reach ”

pact of Brexit on his business, saying: “I don’t see Brexit being hugely impactful on the business. It may affect selling investments into Europe for example. We already have an office in Luxemburg so we may do some restructuring over time. Undoubtedly, it will end up costing us a lot of money.”

The chief executive, then, has grand, international plans but has also been working hard on a front closer to home

- to ensure the sustainability of its business as client wealth is passed from one generation to the next.

The children of wealthy families often have very different aspirations to their parents and Stonehage Fleming is keen to embrace this challenge, to ensure continuity of service from one generation of its family clients to the next.

Ciucci said: “Our firm is very much next generation-focused, that is both in

“Europe remains a tremendous opportunity because it is so fragmented, with many different cultures and languages”



terms of working with clients and how we think about our own organisation. We are all about preparing for the next generation of clients.

“The next generation are different to their predecessors, they are environmentally aware and they want to pay tax whereas the previous generation was more focused on saving. The new generation is also typically more litigious and less loyal so there are unique challenges but the Fleming family knows how to deal with inter-generational change.”

Stonehage Fleming itself embraces inter-generational change by allocating different people within its organisation to work with the different generations of its client families.

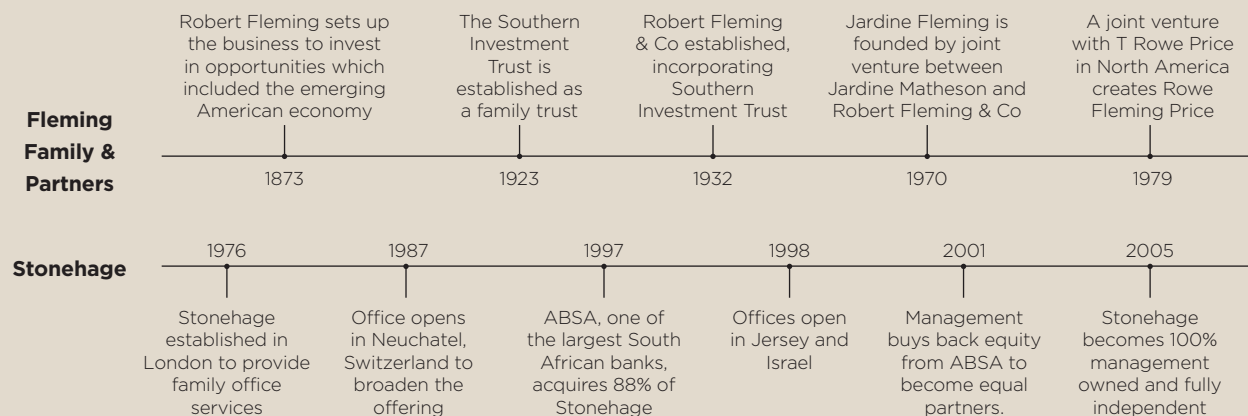
The firm also has a next generation board that works with Stonehage Fleming on impact investing and offers next generation courses that address financial challenges these younger people may face at various stages of their lives such as inheritance.

Ciucci said: “We are very conscious that we cannot take our customers’ loyalty for granted.”

The next-generation also consumes information in different ways to their parents, which has required Stonehage Fleming to work on “developing our digital function”.

The chief executive said: “Looking ahead, we are committed to fintech. We have a technology enablement team which is currently working on the back end.”

The history of Stonehage Fleming:



Technology represents an opportunity and a challenge to all financial firms but it is a particularly sensitive area for firms like Stonehage Fleming that have a relatively small number of wealthy and often famous clients.

Ciucci said: “We are very careful about everything we do online. We have our data facility in Switzerland for example and we are not in the Cloud. We are ultra-cautious because we know if we get caught out by a hacker, the fact that we are innocent is going to be irrelevant.”

As well as technology, the next-generation can vary from their parents in their attitude to investing.

Stonehage Fleming (like many of its peers) has embraced ESG: “We are also doing more on investing in a socially responsible way. We believe that having a decision matrix around what you do is a good thing and also commercially important.”

Culturally, Stonehage Fleming under Ciucci is trying to establish what he calls “an ecosystem of services”, where clients can choose from various specialised services that can be tied together into a single offering.

“We talk about building an ecosystem, comprising investments, fiduciary, art, law, advisory, philanthropy and other services. We have all the services that a client might need.”

Ciucci said the firms’ functional coverage is good but he wants to improve its property offering: “One area we are targeting is real estate. We did have a



commercial property business but that proved to be a regulatory headache so we are looking to re-establish a property business.”

Stonehage Fleming is undoubtedly the product of its long history and earnest about what some people might call traditional values such as bespoke customer service and discretion, attributes that have become increasingly scarce in an industry dominated by vast US banking groups.

The chief executive celebrates the fact this his employees tend to stay with the firm for long periods, sometimes their entire working lives.

“We adopt a “One Firm Firm” philosophy. Everyone shares the same bonus pool for example. Our staff stay with us for a long time also, which brings its

own challenges but I would argue this is better than a high staff turnover so it’s the lesser of two evils.”

But the company and its CEO are not resting on their laurels. Their commitment to impact investing, the adoption of technology and the next-generation of clients reflect a more progressive streak that should serve them well in the years and decades ahead.

Ciucci’s bid to establish the firm as the world’s first truly global and truly full-service family office is highly ambitious. He faces regional incumbents and a myriad of cultural, regulatory, legal, tax and accounting nuances but he seems aware of the challenge facing him.

Looks like Ciucci and his beloved paintings are going on tour. ■

Fleming Family & Partners formed to manage Fleming family wealth following the sale of Robert Fleming & Co to Chase Manhattan, now JP Morgan

2000

FF&P opens the doors to its first non-Fleming client and establishes office in Zurich

2002

FF&P adds wealth planning by acquiring minority interest in Asquith & Partners

2011

FF&P expands its Swiss asset management arm with acquisition of Gebhard, Corrodi & Partners

2011:

2015

2006

Offices open in Cape Town and Johannesburg. Launch of investment, property and legal arms

2007

Zurich office opens. Stonehage establishes joint ventures in USA and Australia

2008

Launch of Stonehage Art Management service

2009

Geneva office opens

2011

Offices open in Stellenbosch and Luxembourg

Stonehage and FF&P merge to form Stonehage Fleming